

## ASX ANNOUNCEMENT

16 October 2023

Market Announcements Platform Australian Securities Exchange 20 Bridge Street Sydney NSW 2000

## LETTER TO SHAREHOLDERS

On behalf of the board, it is my pleasure to reiterate our invitation to our 2023 Annual General Meeting (AGM) to be held on **Wednesday**, **18 October 2023 at 11.00am** (Sydney time) in the ISC Room of the Royal Automobile Club of Australia, 89 Macquarie Street, Sydney, NSW, Australia, 2000. My introductory remarks for the event are appended below. We encourage shareholders to vote in advance of the AGM by completing and lodging their proxy forms by **11.00am today**.

## Chair's Address at the AGM

The 2022/23 year saw your Company achieve strong absolute and relative investment performance, as the portfolio returned 22.6% (pre-fee and taxes), compared to the benchmark return of 20.4%, in gross terms. Bill Pridham, who leads the team managing the Company's portfolio, will provide his comments on recent investment performance and the investment outlook at the AGM.

While some of these gains have been lost in the more bearish market conditions of the last few months, I am pleased to note that as of close of business on Friday the 13th of October, the fund's share price has remained somewhat resilient, closing at \$1.045 compared to \$1.01 at the end of 2023 financial year, even after the payment of a 3.5 cent per share dividend since that time.

The discount to net tangible assets (NTA) per share has also narrowed sharply. As of close of business on Friday the 13th of October, the discount had reduced to 5.96% on a post-tax basis and 4.43% on a pre-tax basis, which the board believes is among the lowest for internationally focussed listed investment companies.

The board believes there have been two main drivers for this reduction in the discount to NTA per share, the share buyback initiated in the beginning of the 2023 calendar year, and changes to the Company's dividend policy.

Since announcing the buyback in April, the Company has bought back 5,045,516 shares at an average price of \$1.031 This constitutes 9.42% of the Company's shares outstanding at the launch of the buyback.

The Company strategy in setting a relevant price point for the buyback aims to strike the right balance between assisting shareholders who want liquidity to exit, and rewarding remaining shareholders in terms of accretion in NTA per share, while ensuring a margin of safety having regard to the volatility in that underlying NTA.





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Reflecting the success of the buyback to date, shareholders at the AGM will be asked to approve a resolution allowing the Company to buy back a further 20% of the Company's shares on issue. The Board believes a continued buyback will provide shareholders with liquidity at a reasonable price while accreting NTA per share for those who wish to stay with the Company.

Commencing from the first quarter of the year 2022, the Company moved to quarterly dividend payments of 1.5c per quarter, fully franked. More recently, the Company further revised its dividend policy to pay out as dividends the entire amount of the profit reserve before the expiry of the initial term of the Investment Management Agreement (IMA) between MEC and Morphic Asset Management (which is currently due to expire in May 2027, unless extended).

Under this revised policy the latest quarterly dividend paid by the Company rose to 3.5 cents a share, fully franked.

The Board's current intention, subject always to regulatory, accounting, solvency and tax issues and other obligations including to act in the best interests of the Company's shareholders, is that future quarterly dividends will be maintained at 3.5 cents a share, with the Company presently having franking credits to cover two more dividends at the same level.

The further substantial closure of the discount to NTA in the Company's share price does not mean the Board is resting on its laurels. It continues to explore potential mechanisms to effect a reasonably priced restructure of the Company that would be in the best interests of shareholders so as to eliminate the discount

Since issuing the Notice of AGM, the Company and the Manager have each agreed to seek senior counsel's opinion on the viability of a potential solution that may eliminate the discount to NTA. I must however stress that there is no certainty that this potential solution will be implemented.

As a preliminary step to exploring a number of different restructure solutions, there is a need to amend the Company's constitution to maximise flexibility. In this regard at the AGM, shareholders will be asked to approve changes to its Constitution.

For further information, please contact MEC's Investor Relations team on 02 9021 7701.

Authorised for release by the Board of Directors.

Jack Lowenstein Chairman

Level 11, 179 Elizabeth Street, Sydney 2000

